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Post-acquisition Integration as Sensemaking: Glimpses of Ambiguity, Confusion, Hypocrisy, and Politicization

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Abstract

Though many studies have examined post-acquisition integration challenges, they have mainly focused on rationalistic explanations for the difficulties encountered in post-acquisition integration. There remains little knowledge of how the ‘irrational’ features of post-acquisition decision-making may impede organizational integration. This study attempts to bridge that gap by examining post-acquisition decision-making from a sensemaking perspective. The paper presents an in-depth analysis of a merger between a large Finnish furniture manufacturer and three smaller Swedish furniture companies. By focusing on the sensemaking processes surrounding integration issues, we uncover four interrelated tendencies that illuminate why the frequent problem of slow progress during post-acquisition integration occurs: inherent ambiguity concerning integration issues; cultural confusion in social interaction and communication; organizational hypocrisy in integration decision-making; and the politicization of integration issues.

INTRODUCTION

Mergers and acquisitions continue to be a popular means of combining organizations and creating new ones. Cross-border acquisitions between companies operating in the same industry have become increasingly numerous. However, such acquisitions have often led to slower and looser integration between the organizations and created fewer synergistic benefits than were originally expected. Most interestingly, this remains true even in cases that are generally regarded as financially successful.

Lately, an increasing amount of literature has addressed the issue of post-acquisition integration (Birkinshaw et al., 2000; Buono and Bowditch, 1989; Gertsen et al., 1998; Greenwood et al., 1994; Haspeslagh and Jemison, 1991; Ingham et al., 1992; Nahavandi and Malekzadeh, 1988; Pablo, 1994; Shrivastava, 1986). However, rationalistic models of integration have dominated the literature (Elsass and Veiga, 1994; Haspeslagh and Jemison, 1991; Hunt, 1990; Pablo, 1994). In particular, there is little knowledge of the ‘behind-the-scenes’ internal decision making processes concerning organizational integration.

The purpose of this article is to examine post-acquisition decision-making concerning organizational integration from a sensemaking perspective. The paper reports on a longitudinal study of a particularly revealing case where the Finnish furniture manufacturer, Isku, acquired three Swedish companies – Sundo, Facit, and Direktlaminat – at the beginning

of 1993. This case can be viewed as a typical cross-border acquisition in that although regarded as financially successful, it led to loose integration between the target companies and failed to create the anticipated synergistic benefits. An in-depth analysis of internal decision-making at the upper echelons of the post-merger organization points to four characteristics that can be seen as impediments to post-acquisition integration. First, there is likely to be considerable ambiguity concerning the roles of the different units and the changes needed to pursue integration. This as such creates impediments to effective integration but can also be seen as a major cause of other 'irrational' features of post-acquisition decision-making. Second, the concrete discussions concerning integration issues are likely to be plagued by cultural confusion and misunderstandings, reinforcing ambiguity. Third, especially when the companies seem to be operating successfully, integration issues are easily 'lost' in routine decision-making in various corporate forums. This can be seen as 'organizational hypocrisy'. Fourth, over time, specific integration issues also easily become politicized questions, leading to the strengthening of internal divisions and increasing confrontation between various units within the organization.

POST-ACQUISITION INTEGRATION IN PRIOR RESEARCH

Although some researchers had pointed to the significance of the period following the initial merger or acquisition much earlier (see e.g. Kitching, 1967), discussion concerning organizational change processes following mergers and acquisitions did not really start before the middle of 1980s. Researchers discovered at that stage that it is what happens after a merger or an acquisition that is relevant to an understanding of the organizational consequences (see e.g. Sales and Mirvis, 1984; Buono and Bowditch, 1989; Haspeslagh and Jemison, 1991).

More strategically oriented studies have thereafter concentrated on issues such as how the management can bring about the anticipated or other potential synergistic benefits (Birkinshaw et al., 2000; Larsson, 1990; Larsson and Finkelstein, 1999; Lindgren, 1982; Shrivastava, 1986), create value (Haspeslagh and Jemison, 1991), transfer knowledge or capabilities from one organization to another (Bresman et al., 1999) or enhance learning (Leroy and Ramanantsoa, 1997). These researchers have also listed obstacles to integration from a managerial perspective (Birkinshaw et al., 2000; Haspeslagh and Jemison; Hunt, 1990; Pablo, 1994). For example, Haspeslagh and Jemison (1991) mention determinism, value destruction, and a leadership vacuum as impediments to integration. A central argument in

this stream of research has been that managers should strive for such benefits first by carefully examining the possibilities provided by the organizations, then by taking into account the possible reactions within the organizations.

Human resource oriented studies have concentrated on employees' reactions to changes following acquisitions, focusing on organizational changes that can have more or less detrimental effects at the individual, and particularly, at the social level (Buono and Bowditch, 1989; Cartwright and Cooper, 1990; Lohrum, 1996; Napier et al., 1989; Schweiger and DeNisi, 1991; Schweiger et al., 1987). Some have specifically concentrated on the reactions of managers (Cartwright and Cooper, 1993; Fried et al., 1996; Greenwood et al., 1994; Hambrick and Cannella, 1993). The common theme in this branch of research is that the human resource-related problems are usually given too little attention or are undermanaged, thus forming severe impediments to organizational integration (Greenwood et al., 1994). Researchers have also pointed to specific group characteristics as sources of resistance, such as group cohesion and successful performance (Haunschild et al., 1994b).

Closely related to human resource oriented studies, researchers adopting a cultural perspective have focused on the complex cultural integration processes that follow acquisitions. Most of these studies have drawn attention to the cultural differences in the organizations involved as major causes of organizational problems (Altendorf, 1986; Nahavandi and Malekzadeh, 1988; Olie, 1994; Sales and Mirvis, 1984; Walter, 1985). Researchers have found it particularly interesting to adopt this perspective when studying cross-border acquisitions (Calori et al., 1994; Gertsen et al., 1998; Olie, 1994; Very et al., 1997; Weber et al., 1996). Some have gone as far as using the measure of cultural differences as an explanation for post-acquisition financial performance, the argument being that greater cultural differences create more problems and, ultimately, lower profits and weaker market performance (Chatterjee et al., 1992; Datta, 1991). The contrary argument that cultural differences can also be a source of value has, however, also received some attention in recent studies (Krishnan et al., 1997; Morosini et al., 1998).

Studies on post-acquisition integration have also concluded that there are several types of integration approaches that one can adopt (Cartwright and Cooper, 1993; Haspeslagh and Jemison, 1991; Hunt, 1990; Larsson, 1990; Nahavandi and Malekzadeh, 1989; Napier, 1989; Olie, 1990; Pritchett, 1985). In practice, these integration approaches have been close to the different kinds of typologies created to distinguish between different types of acquisitions.

In several senses, the studies on organizational integration have, however, provided an overly rationalistic view on the integration process. First, researchers have often implied that integration issues form a specific managerial agenda, somehow detached from the other decision making activities concerning the organizations involved (Ashkenas et al., 1998; Haspeslagh and Jemison, 1991; Pablo, 1994). While this has undoubtedly been a useful concept when trying to outline ideal models for practitioners, it has also created problems in understanding how decisions affecting operational integration are linked to other decisions concerning the organizations.

Second, prior studies in this area have often portrayed decision making concerning integration as a choice of a particular type of integration approach, mode, or design (Haspeslagh and Jemison, 1991; Hunt, 1990; Nahavandi and Malekzadeh, 1988; Napier, 1989; Olie, 1990; Pablo, 1994; Pritchett, 1985). This has meant that these studies have paid little attention to uncertainties and ambiguities surrounding integration issues. Third, although providing a wealth of examples of organizational divisions, prior studies have generally offered little reflection on the internal divisions among the top decision makers in post-acquisition integration processes. There are, however, some important exceptions that do highlight internal tensions and power games (Grunberg, 1981; Haspeslagh and Jemison, 1991; Hambrick and Cannella, 1993; Kleppesø, 1993; Olie, 1994; Vaara, 2001). These studies indicate that there is a need to take seriously the politics involved in post-acquisition decision-making.

TOWARDS A SENSEMAKING PERSPECTIVE ON POST-ACQUISITION INTEGRATION PROCESSES

This paper adopts a sensemaking perspective on post-acquisition decision-making. The sensemaking perspective highlights the complex socio-psychological processes through which organizational actors interpret organizational phenomena and thus socially construct or enact their 'realities' (see also O'Connell, 1998; Weick, 1995). 'Sensemaking' is seen here as a conceptual framework through which one can understand 'decision making' as contextual processes which are characterized by uncertainty and ambiguity as well as being charged with political tensions (see also Miller et al., 1996).

Post-acquisition Decision-making as Issue-based Sensemaking

Sensemaking is social activity that is triggered by something unusual, unexpected or important, that is, any circumstance that is not routine (Weick, 1995).^[1] It is suggested in this paper that a fruitful approach to studying decision-making is to focus on specifically important issues. ‘Issues’ are defined here as important questions or topics that provoke the attention of organizational members, creating a need for them to make sense of the situation at hand (see Dutton and Dukerich, 1991, pp. 518–19). Issues can be understood as specific targets of the complex sensemaking processes, touching upon all kinds of things in and around organizations.

Acquisitions are likely to create many types of discussions and speculations concerning organizational changes within the post-acquisition organization. Of special interest are those planned or anticipated changes that appear to have fundamental effects for the previously separate organizations, specific units, or particular groups of people. Such changes are likely to become significant ‘integration issues’ for the organization members in general and for the decision-makers of the post-acquisition organization in particular.

Viewing post-acquisition decision-making as issue-based sensemaking enables one to examine how specific integration concerns are socially constructed within the post-acquisition organization; that is, how they are interpreted and (re)constructed by the different actors. However, it should be noted that not all of the issues are equally important for all the actors. In fact, it may be that specific plans that mainly concern the acquired company are actually ‘non-issues’ for the people working in the ‘old’ units of the corporation, or vice versa.

Enacted Divisions and Ambiguity in Post-acquisition Decision-making

Sensemaking is closely linked with social identity construction (Weick, 1995). This means that the processes of figuring out what is going on and what should be done is based on who the sensemaker is and his or her background. This should not be understood simply as a person-specific question. It should be emphasized that the same persons may have and adopt multiple and even contradictory social identities depending on the social context and issue at hand (Ashforth and Mael, 1989; Tajfel and Turner, 1979).

In the post-merger organization, for example, responsibility for the acquisition, previous organizational and cultural backgrounds, and their roles in the new corporation create different kinds of social identities for the decision-makers, thus providing different frames for interpreting the integration issues. Responsibility for the acquisition is likely to create

division among the managers. Planning for acquisitions often involves only a relatively small number of people on the side of the acquiring organization, typically members of the corporate management, while the actual post-acquisition changes involve a far greater number of people – both as change agents and change subjects. Prior research has also indicated how those planning the acquisition are often likely to be very committed to the initial justifications and integration ideas, while others may not be (Duhaimé and Schwenk, 1985; Haunschild et al., 1994a; Jemison and Sitkin, 1986).

What is specific in the acquisition context is that the organizational members in general and managers in particular mainly come from previously separate organizations. Prior studies have provided plenty of evidence as to how the organizational members (e.g. Buono and Bowditch, 1989), including the managers (Cartwright and Cooper, 1993; Datta, 1991; Fried et al., 1996; Greenwood et al., 1994; Kleppestø, 1993), are bound to the previously separate cultures in the aftermath of acquisitions. This organizational identity may defy levels of social stratification, leaving groups as disparate as upper level decision makers and shop workers sharing a very similar view on certain issues.

In addition, national backgrounds are likely to unite and divide managers in the case of cross-border acquisitions, as illustrated in studies in this field (Calori et al., 1994; Olie, 1994; Very et al., 1997). The different nationalities often create specific problems in terms of communication difficulties or other types of misunderstandings (see e.g. Gertsen and Söderberg, 1998). Even mundane issues such as geographical distance may also create obstacles to socialization among managers coming from the previously separate organizations. However, the actors may also be bound to their national identities, leading to nationalistic interpretations of specific issues, especially if they are seen as symbolically significant.

Role-identities also divide the actors.^[2] In fact, the internal discussions concerning integration take place in the different formal and informal arenas of the newly developing corporation. Inherent in modern corporate structures is the distinction between owners and corporate managers (e.g. Berle and Means, 1932; Chandler, 1977; Williamson, 1996) and also the distinction between corporate managers and business unit managers (e.g. Floyd and Woolridge, 1994; Goold and Campbell, 1987; Mintzberg, 1985; Pettigrew, 1973; Westley, 1990). In the aftermath of acquisitions where a larger corporation acquires smaller companies, it is especially important to concentrate on the relationships between corporate and business unit managers.

After an acquisition, the corporate management bears the overall responsibility for the success of the whole corporation, including the newly acquired unit. In fact, assuming responsibility for the overall success of the acquired units is the immediate major change for the corporate management. The managers of the business units are, in turn, responsible for the overall success of their own units. It is interesting to note the great difference in the position of the acquired unit managers compared with the middle managers of the 'old' units. In brief, an acquisition creates a completely new kind of control relationship for the acquired units and their managers, while the immediate changes for the managers of the 'old' units may be relatively small. The role of the business unit managers is particularly interesting because in their own units, they may have to act as the corporation's representatives towards the personnel, while in the corporate decision making forums, they represent their own units (e.g. Floyd and Woolridge, 1994; Vaara, 2001).

These different interpretations manifest and (re)create ambiguity in post-acquisition decision-making. Such ambiguity can be seen as 'a normal state of affairs' in organizations with both positive and negative implications (Cohen and March, 1974; Denis et al., 1996; Meyerson, 1991; Risberg, 1998). However, in terms of understanding post-acquisition integration decision-making, ambiguity can be seen as an impediment to integration, if and when the organizational actors have very different views concerning the integration issues. For example, Haspeslagh and Jemison (1991) have pointed to 'ambiguous expectations' as key problem for post-acquisition integration. Risberg (1998) has, in turn, distinguished various types of ambiguity in acquisitions related to purpose, identity, power, negotiation, understanding, experience, success, history, and the future. In this context, it is important to emphasize that while ambiguity may especially characterize the aftermath of acquisitions, it may also be (re)created in different social arenas and in specific discussions on particular integration issues.

Social Construction of Interest Conflicts in Post-acquisition

Decision-making

Sensemaking is often associated only with the cognitive aspects of organizational decision-making. It should, however, be emphasized that organizational sensemaking also involves socio-political components that can be seen as arguing, manipulation, sensegiving, management of meaning, issue selling, or political rhetoric (see e.g. Dutton et al., 2001; Gioia,

1994; Huff, 1988; Salk, 1997; Vaara, 2000; Weick, 1995). In fact, identity-building and identification with particular ideas is conceptually and empirically closely linked with identification with particular interests and consequent political action to pursue these interests (see e.g. Hardy and Clegg, 1996). From another perspective, identification as part of sensemaking can be seen as the very foundation of the social construction of interests and political settings (see e.g. Scott, 1995).

Post-acquisition sensemaking almost necessarily involves (political) argumentation concerning the opportunities, threats, benefits, risks, and problems associated with post-acquisition integration projects (see e.g. Grunberg, 1981; Olie, 1994; Vaara, 2001). This is because even if the actors would specifically want to refrain from ‘politicking’ or manoeuvring’, they are likely to bring into the discussion their specific points of view, which then may or may not gain support or legitimacy. In addition, many actors may even see it as their duty to promote specific ideas in the internal discussions. For example, those representing specific units may see it as their responsibility to make their unit’s concerns heard.

In addition, one should not underestimate the more intentional political efforts in the post-acquisition context. The changes involved clearly create different kinds of opportunities and threats at organizational, group, and individual levels that are likely to trigger specific political action. This can be manifested in different types of confrontation or power plays between the different actors. As the prior research indicates, these political confrontations may involve organizational and national level confrontation (see e.g. Olie, 1994), corporate management versus local unit juxtaposition (see e.g. Grunberg, 1981), conflicts between top decisionmakers (Vaara, 2001), or political actions to promote one’s own career (Hambrick and Cannella, 1993). One can also expect that certain issues become ‘politicized’ as a result of increasing confrontation between the different actors. This means that the actors become increasingly aware of the political actions of the other actors and feel a need to act accordingly.

Consequently, a sensemaking perspective opens up the possibility to understand the complex socio-political processes involved in post-acquisition decision-making. To be able to specify and elaborate how these dynamics may impede post-acquisition organizational integration, we now turn to the Isku case.

THE EMPIRICAL RESEARCH DESIGN AND METHODS

The empirical part of this study concentrates on the case where the Finnish furniture manufacturer Isku acquired three smaller Swedish furniture companies in the beginning of 1993. This case is specifically revealing because operational integration progressed particularly slowly after the acquisitions despite the fact that synergistic benefits coming from integration were a major motive and justification for the initial acquisitions.

The empirical material for this analysis is based on a long-term research project involving participant observation, thematic interviews, and analysis of available written materials from 1996 to 2000. Between the beginning of 1996 and the end of 2000, the author acted as a consultant working with and reporting to Isku's corporate management. This was not action research (Eden and Huxham, 1996) in its purest form as the role was primarily related to the strategy processes of the organization. However, a main theme throughout these years was the integration of the Swedish operations into the mother company. As a participant observer, the author could be present on numerous occasions when the managers had to make decisions on the integration of previously separate organizations. The author could be party to a variety of private discussions, ranging from formal meetings to informal discussions in the sauna.

In addition to this direct evidence, the author interviewed the key decision makers representing Isku's corporate managers, the top managers of the acquired units, and the top managers of the old business units of the company in 1996–2000. The first round of interviews was conducted in 1996, the second in 1998, and the third in 2000. These interviews were semi-structured thematic interviews. A central feature of the interviews is that they followed a 'story-telling' approach. Characteristic of this approach was letting the interviewee tell his or her 'story' of the integration efforts, usually in chronological order, without too much interference on the part of the author. This did not, however, mean the author remained a passive listener. In fact, the interview strategy can be described as 'active' (Holstein and Gubrium, 1997) or 'creative' interviewing (Douglas, 1985). Characteristic of the approach was conscious understanding of the complex relationship between the interviewer and interviewee and the different epistemological layers embedded in the interview (see e.g. Miller and Glassner, 1997).

The nature of the interviews and the topics touched upon varied from interview to interview. A significant part of the first interviews in 1996 was, for example, dedicated to clarifying the

histories of the companies and the planning and negotiation processes leading to the acquisitions. In general, all the interviews concentrated on the integration efforts and the interviewees' views on the success of these efforts. The main focus on the interviews was, however, on decision-making concerning specific integration issues. Consequently, the achievement of particular synergistic benefits and the related organizational resistance forces were the key themes. Related to these themes, the interviews also handled cultural differences and confrontations at national, organizational, unit, and sub-unit levels. And finally, as could be expected, it became clear through the interviews that power relations between the key actors were also a key concern.

Altogether, 39 managers, all of them key decision makers at the upper echelons of the companies in question, were interviewed. Twenty-three of them were Finns and 16 were Swedes. In most cases, they were interviewed at least twice. With few exceptions, the interviews were tape-recorded, which allowed the use of thematic analysis tools to reveal both common patterns and the differences in the actors' accounts. In practice, much of this analysis involved cross-checking of ideas from one interview to another.

The author could also gain access to documents such as minutes of meetings, plans drafted for various purposes, various kinds of status reports and financial data, memos, and personal notes. These documentary materials were important in two respects. On the one hand, they provided valuable concrete evidence of the internal discussions in various types of meetings and illustrated the kinds of issues that had received emphasis at particular points in time. On the other hand, they were important corroborating evidence that helped to place the actors' stories into the 'right' context.

In this study, the final stage of the analysis consisted of constructing credible interpretations of the internal sensemaking processes based on the combination of three types of empirical material. In practice, this was done by identifying and specifying particular patterns and characteristics of the decision-making processes. Eventually, this led to the identification of the four specific sensemaking tendencies as impediments to integration. In this analysis, key persons at the Isku organizations were also contacted to check the credibility of some of the interpretations and to complement the picture.

Studying sensemaking is by no means unproblematic as it involves dealing with context-specific, evolving, and often contradictory interpretations. A specifically important question

in this case was the researcher's reliance on retrospective interviews as sources of evidence for the period of 1993–95. It is unavoidable that over time, the actors' stories become distorted or simplified due to cognitive or political reasons (Barley, 1990; Golden, 1992, 1997). This is specifically problematic when, as in this case, one tries to reconstruct the actors' roles or identities at a particular time or reveal glimpses of their thoughts or feelings in specific situations.

Another specific question worth noting is the position of the author as a participant in the strategy processes of the company. Although many students of sensemaking actually encourage ethnographic research methods involving some type of participation in the organizations (see e.g. Weick, 1995), a close involvement also means some kind of role and identity as organizational member. In this particular case, the author was closely involved with the strategy formulation of the Isku Corporation between 1996 and 2000, which unavoidably created close social ties between specific corporate management members and the author, and may have resulted in rather sympathetic interpretations of their actions. In turn, not being a Swede and not being particularly closely involved with the Swedish companies could be seen as a bias. These kinds of circumstances obviously also bring in questions concerning the politics of fieldwork (see e.g. Mitchell, 1993; Punch, 1986), for example, how far to go in disclosing information which could be harmful for the actors involved or to which extent to go in pointing to the actions of particular managers as causes of problems.

What helped to partially remedy these problems was continuous cross-checking of empirical material leading to 'triangulation' of evidence. Fortunately, in practice, the author had contact with and interviewed all the central decision makers at the upper echelons of corporate hierarchy, which permitted comparison of their accounts and also provided the author with the ability to pose new questions to clarify some of the puzzles. The role of the documentary evidence was also central in this analysis, both as a source of information *per se* and as a context to interpret the observation and interview material.

POST-ACQUISITION DECISION-MAKING AS SENSEMAKING IN THE CASE OF ISKU'S ACQUISITIONS IN SWEDEN

Background of the Companies and the Acquisitions

Isku is a furniture manufacturer, the predecessor of which was established in 1928. Isku had always been a family owned-company, with operations concentrated in the town of Lahti, in southern Finland. In the beginning of the 1990s, the operations of the company were comprised of four main areas: office furniture, home furniture, board production, and kitchens. The part called Julkis-Isku developed, produced, and sold furniture for businesses and the public sector. The main product lines in Julkis-Isku were office and school furnishings. The Swedish furniture manufacturer Sundo was established in 1956. Sundo primarily produced and sold furniture for the education sector, the most important clients consequently being local governments. In fact, Sundo was Sweden's market leader in this niche throughout the 1970s and 1980s. It also developed and sold other furniture for offices and public buildings, such as auditoria. Sundo's production facilities and headquarters were situated in Osby, in southern Sweden. In 1985, Sundo had been acquired and became part of a group of companies called Design Funktion.

In the beginning of the 1990s, a smaller company called Direktlaminat was also part of Sundo. Direktlaminat had been established in 1981 to concentrate on the production of laminated chipboard. In practice, most of Direktlaminat's production was supplies to Sundo, but it also marketed its own products and acted as a distributor of its foreign suppliers' products.

The predecessor of Facit was established in 1890. The company developed, marketed, and sold office furniture for businesses. The headquarters and the production facilities were situated in the town of Åtvidaberg, also in southern Sweden. At the beginning of the 1990s, the company's production strategy focused increasingly on producing key elements in its own factory and on acquiring other components from other sources. The company's products were marketed and sold under the name 'Facit', a brand name that was closely associated with Facit electronic office equipment, also produced in Åtvidaberg. Previously, in fact, the same company had made both the furniture and office equipment. In 1985, Facit became a part of Design Funktion.

Since the end of the 1960s, Isku had developed its exports to the Swedish markets, and eventually became a part owner in a Swedish furniture consortium, Design Funktion. However, at the end of 1992, Design Funktion found itself in a crisis which led to bankruptcy. Key members of Isku's corporate management saw here an opportunity to acquire Sundo, which appeared to be a successful operation. Isku's top management specifically regarded

Sundo as a possible channel through which Isku's products could gain access to the Swedish market and also to some other Western countries.

Isku made a quick bid for Sundo. At the same time, a special offer was also made for Direktlaminat, which was considered a significant part of Sundo. Isku became the official owner of Sundo – including Direktlaminat – in March 1993. As to Facit, Isku's corporate management agreed to accept a financially advantageous offer to become owner of one third of the company in March 1993.^[3] What attracted Isku's management to the offer, apart from the rather advantageous price, were the established brand name, 'Facit', and the sales network of the company, which appeared to provide an opportunity to sell Isku's products to Post-acquisition Integration as Sweden and some other countries. The deal also included an option for Isku to become the sole owner of Facit, eventually increasing its ownership from 40 to 100 per cent. Isku ultimately exercised this right and bought the remaining shares in 1995.

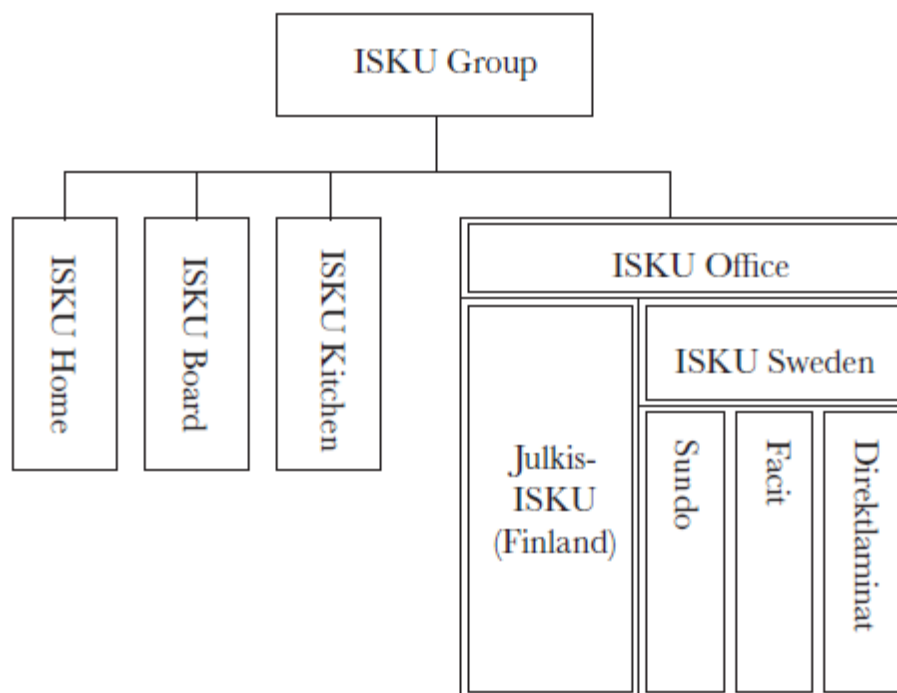


Figure 1. The organization of the ISKU Group after the acquisitions

After the acquisitions in the spring of 1993, the corporate management carried out significant organizational changes as first integration measures. These included establishing a new 'Isku Sweden' organization to coordinate the activities in Sweden, appointing specific managers, and redefining roles and responsibilities both in Finland and in the acquired companies. The new organization structure of the Isku Group is described in Figure 1. The longer-term integration plans, in turn, were based on the ideas formulated in the official strategic plans as follows: (1) The acquisitions are to give Isku a strong position in the Swedish markets and a possibility to benefit from the competence of the Swedish companies. (2) The acquisitions are to make it possible to export Finnish-made products through these channels.

Major Issues of Internal Discussion

What is central for this analysis is that the acquisition was followed by intensive internal discussions at the upper echelons of Isku's management concerning integrating the operations of the newly acquired units with their existing business units. Table I summarizes major issues that were subject to internal discussions.

An important motive and the justification for Isku's acquisitions of Sundo and Facit were to use those companies as sales channels through which furniture products made in Lahti could be sold in Swedish markets. These were especially important considerations at the time of the initial acquisitions because Finland was experiencing its hardest recession since the post-World War II period. In fact, it was this recession's influence on the Lahti-based organization that produced the major impetus for the integration efforts and caused strong support for the initiative among the Finnish personnel.

In practice, the first integration efforts concentrated on Sundo since the future of Facit as a part of the Isku group was, especially before 1995, still unclear. The first efforts, however, already showed that selling the Isku products in Sweden was not easy. It made little sense for the Swedish units to replace their own successful products with other alternatives. In principle, adding new products was easier. However, even in these cases, there seemed to be problems in making the products designed for the Finnish context appealing to Swedish customers. The problems were related to pricing, deliveries, overall quality, and particular design characteristics such as colours and shapes.

Table I. Major issues that were subjects of internal discussions concerning integration within the Isku Group: 1993 – 2000

Issue	Content
Sales of Finnish-made products via the Swedish companies	<p>The general question of using Sundo and Facit as channels for Lahti-made office and Education furniture in 1993 – 2000</p> <p>The question of using Direktlaminat as a channel for Isku's Finnish chipboard production in 1994 - 95</p>
Sales of Swedish-made products via the Finnish Isku organization	<p>The general question of the sales of Sundo, Facit, and Direktlaminat products through Isku's channel in Finland and abroad 1993 – 2000</p> <p>The question of turning part of Isku into a sales channel for Sundo's products in 1993-95</p>
Creation of common sales collections	The question of developing joint sales collections involving jointly developed and produces products for Sundo, Facit, and Julkis-Isku in 1995 - 2000

After the acquisition of Direktlaminat, the corporate management of Isku also tried to develop ideas to export Isku-produced plywood to Direktlaminat. Although the parties on both the Finnish and Swedish sides saw major synergy in this idea, it was not to be realized. The first and foremost reason was that Direktlaminat's major supplier wanted to retain most of the supplies in its own hands. Furthermore, the first trial deliveries from Finland were great disappointments for Direktlaminat because of the quality of the Finnish chipboard.

When the integration efforts with Facit intensified after the acquisition of 100 per cent of the company, the parties faced problems similar to those experienced with Sundo. In addition, it also became apparent that Facit's management had only limited control of the purchases of its major distributor.

Another issue that produced a significant amount of discussion was the possibility of selling the Swedish products in Finland. Although this issue was given less attention overall, the Swedish managers were particularly anxious to promote these ideas. In 1994, Isku's corporate management and Sundo's management took a concrete step; they turned a previous subsidiary of Isku into Sundo's subsidiary in Finland. The new operation did not last very long, however, as the corporate management saw this lead to detrimental internal competition in the Finnish markets. Consequently, the new subsidiary was discontinued in 1995, and the manufacturing of specific products was transferred to Sweden. There were other plans to sell Swedish-made products via Isku's channels, but they did not lead to concrete efforts during the first years after the initial acquisitions.

After these experiences, the corporate management and the key actors on both sides tried to proceed by more concerted efforts to gradually integrate the product lines of Isku and Sundo as well as Isku and Facit. First steps meant reviews of the existing product lines and co-operation in product development. This led to introducing more of Isku's products into the repertoires of both Sundo and Facit. The sales volumes, however, remained modest, and the Swedish organizations frequently faced similar problems as they had previously regarding pricing, design, quality, and deliveries. Ironically, the sales of the few Swedish-made products in Finland led to similar problems and experiences.

In 1997, the internal discussions focused on a more concrete integration of the organizations; the corporate management set a clear objective to come up with a joint product collection, first in the educational line (Isku-Sundo) and then in the office sector (Isku-Facit). The integration of the product lines and categories proceeded so that the first joint catalogue for the education sector was finished at the beginning of 1999. This was based on a careful review of the existing product lines, doing away with those products that could be agreed upon by both the Finnish and Swedish parties and introducing new, jointly produced products. The second joint catalogue with Isku and Sundo came out in the beginning of 2000. It contained more radical changes – including more debated replacements. However, even after the introduction of the new joint collection, it was unclear who would take responsibility for future design and production – the Swedish or the Finnish parties – and the matter, to a large extent, was left open for debate.

The integration of the product catalogues of Isku and Facit proved even more cumbersome. However, by the summer of 2000, the parties had agreed upon a new joint catalogue to be

published in the beginning of 2001. During this work, the representatives on both sides frequently pointed out that changes in organizational practices and specific product replacement would be very difficult. In the early fall of 2000, it looked like the collection would be some kind of a compromise – one that would still leave many important future questions concerning design and production responsibilities open.

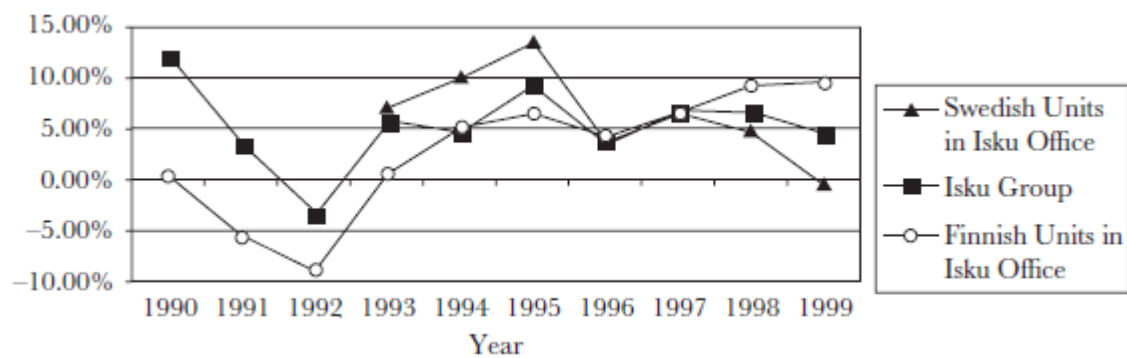


Figure 2. Financial performance of Isku Group, Finnish units in Isku Office and Education, and acquired Swedish units in 1990 – 99

It is important to note that the financial performance of the whole group, but specifically the performance of the acquired units, played a major role in these discussions. As Figure 2 indicates, during the first years after the initial acquisition, the financial performance of the acquired Swedish units was very satisfactory. In fact, after the bankruptcy, the units continuously exceeded their annual targets, and performance was also clearly better than the rest of the Isku Group or Julkis-Isku. The situation, however, changed in 1995–96 when the demand in the Swedish education sector decreased dramatically, having a fundamental effect on Sundo. In 1998, after a very positive period, Facit found itself in serious problems.^[4]

The integration efforts thus proceeded slowly, and some explanations can be found both in practical difficulties combining the organizations and their operational processes and in the practices developed in different cultural environments. However, the case specifically points to an inability of the central decision-makers to reach consensus and create internal commitment to the integration projects. The following sections illustrate and elaborate on specific characteristics of the internal sensemaking processes that help to understand the slow progress of integration: inherent ambiguity concerning integration issues; cultural confusion in social interaction; organizational hypocrisy in integration decision-making; and the politicization of integration issues.

INHERENT AMBIGUITY SURROUNDING THE INTEGRATION ISSUES

The Isku case points to an ambiguity surrounding issues of integration as a key impediment to the integration itself. This ambiguity can be seen as a fundamental problem inherent to acquisitions as these dramatic events bring together people of various backgrounds and social identities who are likely to interpret specific issues in different ways (see also Risberg, 1998).

For the corporate managers, the integration issues were framed from the start as group level concerns. Initially, in this specific case, it was a clear objective that especially Sundo, but also Facit, would in the long run become Isku's marketing channels in Sweden. This was also quite clearly stated in the strategic plans drafted at the time of the acquisitions and during the following years of 1994–97. However, the specific meaning of this objective appeared to remain unclear, particularly in the beginning of the integration efforts. A key member of the corporate management put it as follows:

We held the view that these new units would become our [Isku's] channels in Sweden. What exactly that would mean in the future was less clear at that time.^[5]

There was also significant ambiguity among the corporate managers relating to the role of the new units as 'permanent parts' of the group or as 'investments'. In brief, the corporate managers could frame the role of the new units in two different ways: as more or less permanent parts of the group or as investments/holdings that also could be divested. Those seen as 'responsible' for the acquisitions had developed the most elaborate integration plans for creating synergy by combining the operations of the Finnish and Swedish units. Not all the corporate managers, however, necessarily regarded these units as permanent parts of Isku. For the more conservative members of the top management, the future of the Lahti based production complex was their primary concern, and the Swedish companies were viewed as investments that could also be sold, should the opportunity arise. Although this case may be characterized by a particularly clear ambivalence, it should be noted that the constant industrial and corporate restructuring almost forces many top level decision-makers to hold potential divestment options open.

In fact, during the period 1993–97, key members of the corporate management were strongly considering the possibility of selling off the acquired Swedish companies, especially Facit and Direktlaminat. Indeed to facilitate this potential sale, they called in external advisors to examine the opportunities. Accordingly, the members of the corporate management were

cautious about developing joint sales catalogues and were not totally committed to these integration projects. As a key member put it in an informal discussion:

We were prisoners of these selling ideas. This prevented us from going very far in integrating the operations of the Swedish units with Isku.

For the managers of the Swedish business units, the integration issues were usually framed as questions concerning the future of their own units. This meant that although they recognized group concerns, their primary frame of reference was their own unit. In this particular case, most of the acquired unit managers held a positive view on Isku as the new owner. In fact, key actors at Sundo were actively involved in helping Isku acquire the company. The head of Sundo put it this way:

This was a tremendous positive event. It was what we had been working for to solve the turmoil following the bankruptcy of Design Funktion.^[6]

The case was similar also for Facit. For Facit's management, personnel, and the surrounding community, it was major positive news when Isku agreed to become an owner of the company after the bankruptcy of Design Funktion. The head of Facit described the internal discussions among the key managers in 1995 as follows:

We had a clear aim. We wanted to hold on to Isku as a stable owner that could secure the future of this old factory.

However, when it came to specific changes, the Swedish managers mainly viewed them from the perspective of their own units. As the managers of different units had become socialized into and been involved in creating the specific cultures of the companies, they naturally looked at the possible changes from these perspectives. This meant that they mostly saw specific integration or change plans and projects – the benefits and problems, the opportunities and threats – from the perspective of Sundo, Facit, or Direktlaminat. This is likely to be a typical situation in post-acquisition settings when the managers of acquired units have to make sense of the implications for their own units.

A particularly important concern for the acquired unit managers was 'independence' – as indicated also by prior research in this area (see e.g. Haspeslagh and Jemison, 1991; Nahavandi and Malekzadeh, 1988). In some instances, the acquired unit managers saw 'independence' as a value *per se*. In fact, in many discussions, the acquired unit managers seemed to naturally take it as a starting point that the companies would remain units with

distinct autonomy and identity. For example, even the first strategic plans drafted at Sundo after Isku's acquisition sketched Sundo a bright future as a relatively autonomous but increasingly important part of the Isku group. A part of these plans was also to develop Sundo's operations in Finland under its own name and control. Such views can clearly be seen as an impediment to integration.

The situation of the managers of 'old Isku' in general and the Julkis-Isku managers in particular was similar to that of the acquired unit managers: they framed the integration questions as issues that could have an effect on their own operations. The difference was that the news of the acquisition did not necessarily imply immediate radical changes for their own units. Herein lies the fundamental difference between the acquired and old units in post-acquisition integration.

Initially, the acquisitions of the Swedish units were not only positive news for the people working for Julkis-Isku. At the time of the acquisitions, Isku and especially its core units in Lahti were recovering from personnel reductions and cost cuts. In general, there was anxiety about the future of Isku in Lahti, especially concerning employment. In fact, many of Isku's middle managers felt that investments were needed elsewhere, in particular, in Lahti. An Isku manager summarized these views as follows:

At that time this acquisition was seen as more than a questionable project. Why invest there if we would need all the financial resources here was the question.

The fact that the acquisitions did seem to provide the possibility of opening significant export channels helped Julkis-Isku managers to accept the new situation. Those in charge of exports were especially interested in cooperation with the Swedes, as described by a key manager:

We were ready to take advantage of this opportunity. In the beginning, this looked like a major opportunity to really find significant new markets for Isku products.

In many senses, the older-generation managers in particular, together with most of the employees, during 1993–97 seemed to share the view that the Swedish units were primarily 'export channels' for Isku, as indicated in various strategic plans drafted in Lahti. In turn, most of the middle managers at Isku found it very difficult to understand why Swedish products should be exported to Lahti. One idea that created strong resistance was to turn a previous part of the Finnish Isku into a subsidiary of Sundo.

These inherently different views were also connected to national identification. What clearly divided actors – both personnel and managers – at the acquired and the ‘old’ units was the question of placing special emphasis on Swedishness or Finnishness. In practice, especially older members – echoing the views of most of the personnel – seemed to have doubts and prejudices concerning the products and practices of the ‘other side’. For example, a key manager at Facit described the overall problems in the quality of the Finnish-made products:

In Finland it is not too low quality, but it has been adapted to the demands of the Finnish customers . . . That is not how it is seen in Sweden.

The Finns, in turn, considered their products as world-famous Finnish design characterized by functionality and had reservations about the design standards on the Swedish side.

It is important to note that the different social arenas could sustain different interpretations and support particular types of action. For example, it seemed to be the case that the same persons could adopt different frames of reference when discussing the same issues in different forums. For example, the Swedish managers could recount how in the group level meetings with corporate managers, it was natural to take a group level perspective. In contrast, in the meetings and discussions in their own units, local interpretations were easily dominant. This meant that particular ideals could be held at the corporate level while other interpretations were institutionalized and naturalized in the units.

In this context, it is also interesting to point out what happened when corporate management set out to ‘gather support’ for the acquisitions and generate subsequent group cooperation; ironically, management seemed to promote ambiguity within the group, most notably during the first three years after the initial acquisitions. As is often likely to be the case in acquisitions, ‘trying to win the support’ of the various actors meant presenting different arguments in different arenas. For example, in Lahti, it was important to emphasize that the Swedish units would provide new export opportunities, thus promoting employment and a profitable investment. In the Swedish units, the emphasis shifted to arguing that their future as part of Isku would certainly provide all kinds of positive opportunities and promises of independence.

CULTURAL CONFUSION IN SOCIAL INTERACTION AND COMMUNICATION

When the Finns and Swedes explicitly handled and discussed actual integration issues in different formal and informal settings, the discussions were often characterized by a lack of

clarity and misunderstanding, similar to ideas presented, for example, by Gertsen and Söderberg (1998). These problems of social interaction and communication can be seen as 'cultural confusion'.

It should be emphasized that especially before the more intensive integration discussions in 1997–2000, there were fundamental differences between the views of the Finnish and Swedish managers about what the integration plans and ideas should mean. This was especially apparent when discussing the sales of the Finnish-made products in Sweden. While many Finnish managers were ready in the long run to fill Sundo's and Facit's sales catalogues with Lahti-made products, the managers at Sundo and Facit regarded Isku's products, mainly their chairs and sofas, as useful complementary products to their core catalogues. This is illustrated in Figure 3, a reproduction of a sketch made by a Facit manager (left, in August 1996) and an Isku manager (right, in April 1997).

The underlying ambiguity concerning integration issues thus often created a setting where the actors had very different views concerning the necessary changes. However, in the concrete discussions, the actors were clearly not always aware of all the ambiguities involved, especially before particular issues became politicized. For example, in many cases it took a long time until the actors understood that they had meant different things when talking about the same projects (see e.g. Figure 1).

This confusion was caused partly by general problems in communication and partly by cultural differences in communication and decision-making practices. With regard to communication, a key problem was the fact that the actors did not share a common mother tongue. In this specific case, the actors spoke either Swedish or English in most discussions involving representatives from both sides. It was noticeable, however, that below the top managerial levels, the foreign language skills of the actors were limited. As a result, in verbal communication, they frequently found it difficult to express themselves very clearly or to understand the nuances in what the others were saying. Written documents drafted in a foreign language also tended to become more abstract and limited in scope when compared to those written in one's mother tongue. A key Finnish manager commented on these language problems as follows:

You are supposed to cooperate. But when you put rather cautious Swedes with Finns who do not speak Swedish properly at the same table, what can you expect. Nothing at all.

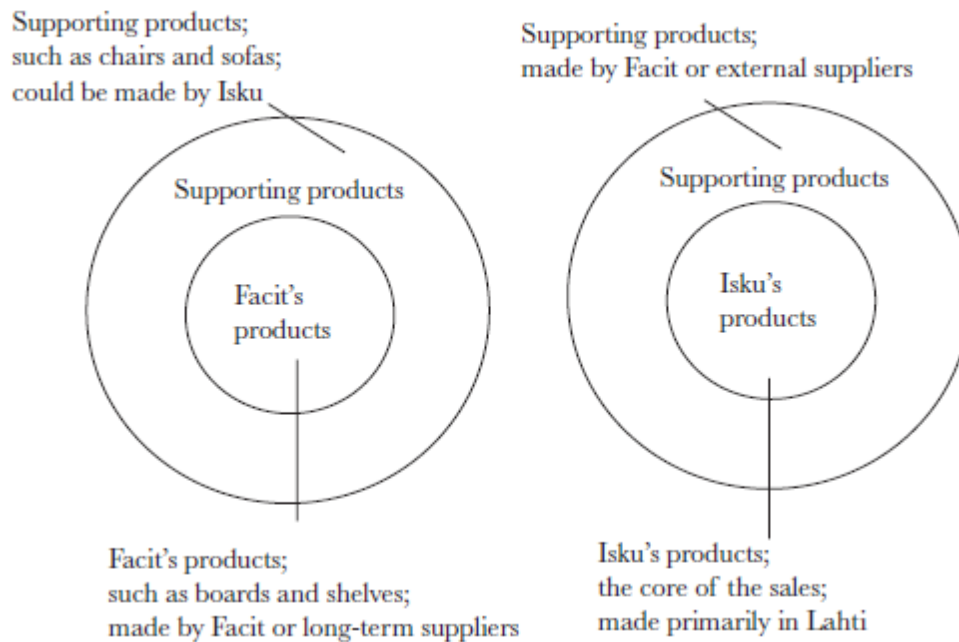


Figure 3. Typical cognitive models of Facit (left) and Isku (right) managers concerning the role of Lahti-made products in Facit's collection

These language problems may be seen as a special characteristic of this case because none of the companies involved had been very internationalized before the acquisitions. However, more or less severe language problems are usually likely to characterize post-acquisition decision-making in cross-border settings, although their significance has not often been recognized.

The misunderstandings were also related to cultural differences in communication and decision-making practices. For example, the Finns tended to frequently misinterpret the Swedish conflict avoidance behaviour as a sign of agreement to a common course of action (Laine-Sveiby, 1991; Vaara, 2000). A key Finnish manager described the frustration on the Finnish side when things did not seem to be moving in Sweden:

I remember when we were launching the jointly created board model in Finland and Sweden. I thought that everything was settled and that we could now just get the thing going, but then the Swedes started to talk about changes that in my view had been already agreed upon a long time ago . . . It seems that they [Swedes] require several discussions and formal decisions, while we [Finns] are used to the idea that what has been agreed upon holds.

The Swedes, in turn, often misread the quicker, Finnish decision-making style. They were inclined to conclude that the joint meetings were aimed only at producing basic principles

concerning the integration strategies rather than necessarily implying concrete actions in the companies. The Swedish managers could also recount how the people in their own units often expected more active discussion before they could commit to any specific course of action leading to major changes in their operations. In particularly important cases, they would also have expected to see key persons from the Finnish side coming personally to the units to discuss the key issues with the personnel. As a manager of Facit put it:

We have gotten the impression that the owners do not care about what is happening in this company. X, for example, has never been here. You cannot do that in Sweden. The owners have to show their faces and talk to the personnel.

In fact, many Swedish interviewees retrospectively claimed that the behaviour of the Finns during 1993–97 was generally interpreted as a symbolic sign that the Swedish units can operate rather independently and that the integration efforts were not, after all, very important for the top decision-makers at Isku.

Such culture-specific differences in decision-making are clearly a key source of confusion in the aftermath of cross-border acquisitions. In this specific case, it appeared that the actors were not clearly aware of the subtle cultural differences because they considered Finland and Sweden culturally related (see e.g. Hofstede, 1991). This can be seen as a paradox of cultural proximity (see also Vaara, 2000).

ORGANIZATIONAL HYPOCRISY IN INTEGRATION DECISIONMAKING

The Isku case illustrates how the ambiguity and confusion described above can lead to a loose coupling of integration rhetoric and routine decision-making in the various formal and informal arenas in the post-acquisition corporation. Especially the first years of this case (1993–97) were characterized by a tendency to promote official integration plans while at the same time, the concrete decisions needed to change the organizations or to implement the plans were ‘lost’ in the ‘normal management’ of the corporation. This can be seen as an example of loose coupling of rhetoric and action (Weick, 1995) or organizational hypocrisy (Brunsson, 1989). These tendencies are often likely to characterize post-acquisition integration decision making when ‘abstract ideas’ and ‘ideals of integration’ concerning synergy, co-operation, and transfer of knowledge confront ‘organizational reality’.

Although the corporate management pursued specific integration projects after the acquisitions, many key decisions concerning changes were made in connection with other

important decisions in the formal meetings of the corporate management. For the corporate management, this meant that integration issues were competing for attention along with other issues in the corporate decision-making forums. In fact, it appeared that the attention given to specific topics in Isku's corporate management meetings was dependent on whether the issues were seen as constituting, 'specific problems'. In the case of Isku's corporate management 'specific problems' were usually associated with unsatisfactory profitability or other financial problems. During 1993–96, the home furniture part – due to its financial and operational problems – was generally seen as the priority by the corporate management. In contrast, as the acquired units were operating very profitably, they did not appear as 'problem areas' requiring specific attention or turnaround. Ironically, this meant that the perceived need for changes – which would be required to pursue further integration – was not evident for the corporate management. This can be seen as a classical example of satisfactory (financial) performance sustaining status quo (see e.g. March and Sevón, 1988; March and Simon, 1993; Cyert and March, 1992).

Accordingly, the corporate managers adopted an approach that gave the acquired Swedish units and their managers considerable independence when it came to managing their units and specifying and implementing changes. Even when the corporate managers were disappointed with the progress of integration, they were not ready to enforce radical changes in the Swedish units that seemed to be (financially) 'on the right track', as the internal slogan went. They were also unwilling to carry out changes that would have promoted sales of the Swedish products in Lahti where (financial) performance was also picking up after the recession. A key member of the corporate management pinpointed this response as follows:

We were not going to disturb well-functioning operations. It made no sense to interfere with operations that were finally as profitable as we had hoped for.

After the performance of the Swedish units started to deteriorate in 1996–97, the situation changed from the perspective of the corporate management. This down-turn in performance led to more concrete integration plans and efforts on the part of corporate management. It also meant that integration issues were given more attention in corporate decision-making, as shown in the agendas of specific meetings. First, in the case of Sundo, the need for changes was recognized and more fundamental changes were being sought. Later, when Facit's situation turned for the worse, it too became the focus of attention; corporate management began making similar efforts to more concretely integrate Facit.

In the acquired companies, the integration issues were linked with the overall management and performance of these companies. Although Swedish business unit managers basically saw 'integration with Isku' as positive during the first years after the initial acquisitions, they saw little rationale in changing their well-functioning operations and product collections, which had now shown themselves to be successful. Consequently, many of the attempts to increase the sales of Lahti made products led to meager results. Only a few products made in Lahti suited the Swedish collections, and even these did not seem to attract many Swedish customers. The companies had also established long-term supplier relationships, which were not easy to change. These problems were described as follows by a Swedish manager:

It was not easy to take these products. We could find few interesting ones that we did not have that could sell. And the question of replacing some of the other products [was difficult]. Who wants to break up a good relationship.

When the acquired Swedish companies started to face significant problems in their main markets, which had happened earlier for Sundo, the situation changed dramatically. It was then much easier to justify the changes and implement them in the organization. A Finnish Isku manager involved in the integration of the product lines put it as follows:

The profitability of Sundo collapsed first. When you are doing poorly [as in Sundo], you cannot really argue against changes. You are then looking for solutions, and you are more ready to accept changes

In Facit, it was not until the situation turned for the worse in the fall of 1998, when the actors recognized a need for major changes in their operations. This was, according to many interviewees, a major reason why the subsequent changes in 1999–2000 appeared to be more difficult in Sundo than in Facit.

For the Julkis-Isku managers, the integration issues were, in turn, considered in connection with the specific concerns of Julkis-Isku in the respective decision-making forums. Like their Swedish colleagues, the key members of Julkis-Isku were most often eager to support co-operation because such co-operation was seen as a means to increase the sales of the Lahti-made products in Sweden. However, for many of the key members, as for the Finnish Isku organization in general, it was difficult to plan and carry out changes that would have created problems in the 'normal functioning' of their operations. Retrospectively, one can claim that during 1993–95, there was clearly too little understanding of the need for product modifications and changes at the Finnish end when considering the aspirations to export significant amounts to Sweden.

Later, when the financial performance of Julkis-Isku started to improve, it became difficult to justify new changes in their own operations. As explained by a key manager in Isku:

It started to feel questionable that we should spend so much time with the Swedes when that was clearly hampering our development here in Finland. It became increasingly less self-evident when we could see that we were also performing better than the Swedes.

During the later stages of 1995–98, many of the Finns also questioned the rationale for spending a great deal of energy in unsuccessful attempts to make Swedes buy their products while at the same time, for example, Russian exports were picking up:

We came to a clear conclusion that it would make more sense to focus on Russia. If you compare the volumes [of Swedish versus Russian exports], you understand the logic.

This loose coupling of change rhetoric and routine decision-making appeared most hypocritical in the strategic planning activities and special meetings arranged to promote integration. The author could be present in a number of formal and informal meetings where integration ideas were being planned and developed. It was typical that the joint meetings ended (as reflected in the subsequent strategy reports and memos) in a consensus concerning ‘a need for closer cooperation’, a ‘focus on integration within the Isku Office’, or placing special emphasis on ‘synergistic combination of existing operations’ or ‘fruitful transfer of knowledge and concepts’. However, it was frequently the case – especially before 1998 – that these ideas did not lead to concrete projects or changes having a bigger impact on the organizations.

Thus, this case clearly illustrates how integration issues are easily ‘lost’ in the routine decision-making processes. This is likely to be a common tendency in post-acquisition integration, where plans and ideas concerning ‘cooperation’, ‘synergy’, ‘transfer of knowledge’, or ‘learning’ are easily forgotten in ‘hypocritical organization reality’. This also shows how difficult it is to create (political) platforms to implement the changes in the various parts of a post-acquisition corporate organization. While such lack of platforms is problematic *per se*, the consequences are particularly severe in the context of internal politicking, as outlined in the following section.

POLITICIZATION OF INTEGRATION ISSUES

The Isku case also shows how internal ambiguity and confusion can lead to overt political action when the political significance of specific integration becomes evident. In fact, a significant feature of the internal sensemaking processes was that those issues that were debated for a longer period of time tended to become ‘politicized’, especially during the years 1998–2000. This meant that the actors increasingly argued and acted in order to promote their own specific agendas in a setting characterized by clear organizational- and even national-level confrontations. Such ‘politicization’ is often likely to characterize post-acquisition settings, as illustrated, for example, in Kleppestø (1993), Olie (1994, 1996) and Vaara (2001).

In this case, politicization was most clearly manifested when the internal discussions touched upon issues that could have a longer-term impact on the future of the specific units. A key Swedish manager describes the reactions at Facit when they were pressured to radically change their operations in the spring of 1999:

They are afraid for their jobs and don't believe that this is the whole truth . . . People think that this is the first step towards liquidation.

Many of these debates led to open confrontation between the Finnish and Swedish organizations. This was most vividly illustrated in discussions concerning the products and changes in product collections. For example, it was very difficult even to start talking about replacing a key series of Facit in 1999, as described by a high level Swedish manager:

Facit has produced and developed its own products. This particular baby [a board design] is already 25 years old, and it is naturally difficult to let it go.

Interestingly, nationalistic interpretations and national confrontation appeared to escalate when it gradually became clear to both groups that the people on the other side had contradictory views concerning the integration efforts and the scope and content of specific changes. For example, a key manager of the Finnish Isku described his experiences as follows:

When the conflicts became apparent, it created a kind of East-West setting. So there was a lot of talk about who was right or wrong or whose design culture was better. These discussion [on the Finnish side] also easily touched upon the historical relationship between the Finns and Swedes where we [Finns] have of course been the underdogs . . . On the Finnish side especially we increasingly wanted to show this was no longer the case.

In these debates, the corporate managers had a crucial role as the agents promoting integration. They also possessed the ultimate formal power in decision-making. Nevertheless,

their situation was difficult because while they were promoting integration ideas, they also wanted to refrain from taking sides – especially at the more official meetings. This is likely to be a common type of problem in cross-border acquisitions where the corporate-level actors have to acknowledge that their backgrounds may cause them to identify with the ‘old side’. Ironically, one could retrospectively argue that going either way would have led to more effective integration. As a key member of the corporate management put it:

This was clearly a key problem that resulted in decisions that lacked strategic direction. Especially questions concerning investments or financial resources were very difficult.

However, this case in particular points to business unit managers as actors at the upper echelons of management who promoted the interests of their own units and their own agendas. On the Swedish side, the key managers of Sundo and Facit were eager to emphasize the problems of changing their existing sales repertoires in Sweden when they felt that this could lead to less independence and a potential loss of jobs. Examples of such arguments are provided in Table II.

Table II. Central arguments of the Swedish managers in internal discussions concerning the sales of Finnish furniture products in Sweden 1994–99

<i>Issue</i>	<i>Argument</i>
Products	The price of the Finnish products is not competitive. The quality of the Finnish products does not satisfy the Swedish requirements. The colours of the Finnish products do not appeal to the Swedish customers. The rectilinear shapes of the products do not appeal to the Swedish customers who prefer rounder shapes.
Supplier Relations	Long-term supplier relationships are a key competitive advantage. The breach of long-term supplier relationships in particular areas has problematic consequences in others.
Sales Systems	The Swedish-based sales and marketing channels expect better service than Isku can systems provide. The companies (especially Facit) have only limited direct control of their marketing network and of the content of purchases that the customer makes.

In these discussions, the Finnish managers often promoted opposite arguments. They could, for example, criticize the existing operations and products in Sweden and argue for the benefits of marketing the selling Lahti-made products there. However, when confronted with the threat of the Swedish units taking responsibility for particular products in their joint

catalogues, the Finns often reverted to the same arguments as the Swedes (against the Finns): the design and product characteristics were not suitable for the Finnish market. In addition, the Finns heavily criticized Swedish supplies and marketing logistics.

It should be noted that while most of these arguments had some truth in them, the actors were willing to emphasize only particular aspects even at the expense of ‘a realistic overall view’. For example, the Swedish managers were at times eager to spread stories like (in the words of a key manager):

Our distributors have marked red crosses in our catalogues in the case of Isku products [produced in Lahti]. [The thinking has been] don't sell them; they only cause problems.

The business unit managers considered this legitimate behaviour when they viewed themselves as agents promoting the good of that particular unit or nation. However, in other contexts they could at the same time criticize the others for doing the same thing. For example, a key manager of Julkis-Isku criticized the former head of Facit as follows:

This has been continuous fighting. Personally, I don't understand how one can accept that the heads of the units are not behaving as they should and following our [Isku's] strategies.

One can point here to interesting power structure where the ‘formal power’ of the corporate management was to a great extent offset by the ‘specific knowledgebased’ power of the business unit managers. This was most clearly the case with the acquired units since the corporate management and managers of the ‘old units’ had little knowledge of the markets and operations of the acquired companies. It is noteworthy that the arguments were given most emphasis when they related to problems in changing the existing operations – where the business unit managers were experts – not when arguing for changes in the other units. This can be seen not only as one explanation for the slow progress of integration in this particular case but also a tendency that is likely to characterize post-acquisition integration more generally.

It should be emphasized that the politicized aspects of the internal sensemaking processes appeared to be self-reinforcing. For example, the Finnish business unit managers apparently found it necessary to ‘make their voices heard’ after continuous ‘lobbying’ and ‘political manoeuvring’ on the part of their Swedish colleagues. As a Finnish Julkis-Isku manager put it:

After several discussions I had to tell him [the head of Facit] that if you will not introduce this new stool in Sweden, I will buy a ticket and do it myself. He said that I cannot do that, but I told him that I can and will do anything I want.

Once particular issues, such as the projects to create new common sales catalogues and collections, had become politicized, particular actions were also interpreted in this light. For example, in 1999–2000, when the new common collection was being planned for the office sector, the Swedes turned out a completely new office shelf series. From their perspective, the series was designed to meet the corporate level demands to redesign the collections according to the standards that the Finns had adopted. A Swedish manager described the process:

Our product had a width of 850mm while the Finnish product was based on 800mm. It was clear that we had to redesign ours, which was a terrible waste [of resources]. So we had to redesign the whole series, which led to the creation of our new series.

However, the Finns interpreted the same redesign efforts as a manoeuvre that went against all that had been agreed upon. As a key manager put it:

The integration of the product lines required that we would have one joint module. But then in the midst of our discussions, we found out that the Swedes had developed a completely new series without telling us!

It should be noted that those persons on the Finnish side, and most particularly those on the Swedish side, who were not seen to act in the interests of their ‘own side’, were often cast in a dubious light and labelled as scapegoats. This was certainly the case for key Sundo managers who were increasingly blamed for problems that confronted Facit in 1997–2000. For example, in the summer of 2000, the majority of the personnel of Facit signed a statement demanding that the head of Sundo should leave his post. These kinds of internal resistance obviously made it even more difficult to reach internal consensus concerning the key issues.

The politicization of integration issues thus formed impediments to integration. On the one hand, the political manoeuvring on many issues seemed to be an effective means of resisting change. This was especially the case at the business unit level where the managers played a pivotal role in pointing out problems in changing existing organizations, processes, and practices. As a result, particular kinds of problems and risks associated with changes became institutionalized and legitimized conceptions in specific parts of the organizations. On the other, when the actors became more aware of the internal politics, this led to a strengthening of internal divisions and growing confrontation. As this confrontation escalated, it became

increasingly difficult for the key managers not to take sides in the different integration projects.

CONCLUSION

This paper has taken a sensemaking perspective on post-acquisition integration decision-making. The evidence and observations presented here are an attempt to provide a counterweight to the rationalistic decision-making models that dominate the literature on mergers and acquisitions in general and post-acquisition integration in particular. The main contribution of this study is that it reveals four specific characteristics of post-acquisition decision-making, which are often likely to form impediments to effective organizational integration: inherent ambiguity, cultural confusion, organizational hypocrisy, and issue politicization. By specifying and empirically illustrating these interrelated ‘irrational’ tendencies, this study thus adds to the previous studies examining the frequently experienced problems in post-acquisition decision-making (Birkinshaw et al., 2000; Greenwood et al., 1994; Haspeslagh and Jemison, 1991; Olie, 1994; Pablo, 1994).

These four ‘irrationalities’ are theoretically and empirically intertwined. However, as illustrated in Figure 4, the ambiguity surrounding integration issues can be seen as a fundamental problem inherent to acquisition situations that bring together people of various backgrounds and social identities. This ambiguity is in international contexts often linked with cultural confusion created by differences in communication and decision-making practices. Over time, the ambiguity and cultural confusion may produce organizational hypocrisy if and when the integration ideas promoted in overall discussions are not met with consequent actions in the various parts of the post-acquisition organization. This is likely to happen in circumstances where there is no specific pressure for concrete organizational changes in particular parts of the post-acquisition organization, as in conditions of (relatively) satisfactory organizational performance. Ambiguity and confusion may also develop into politicization in circumstances where the changes involved are seen as politically significant.

As the Isku case illustrates, the ambiguities manifested in post-acquisition decision-making may be various, as is often the case in complex organizations (see also Meyerson, 1991; Risberg, 1998). For example, specific roles in the corporate hierarchy, different organizational and national backgrounds, and responsibility for the acquisitions divided the key actors. In the case of most issues, these divisions created a crude setting where the

corporate managers, acquired unit managers, and managers of the ‘old units’ interpreted the issues in different ways. Recognition of this internal structuration of the management is important since most of the literature on post-acquisition integration has focused little attention on these internal divisions (see e.g. Haspeslagh and Jemison, 1991). However, the study also reveals how the corporate managers and business unit managers are confronted, even among themselves, with different and often contradictory frames of reference and sensemaking logics – contradictions which are sustained in different arenas. The point is that these ambiguities as such create impediments to effective integration but can also be seen as a major cause of other ‘irrational’ features of post-acquisition decision-making.

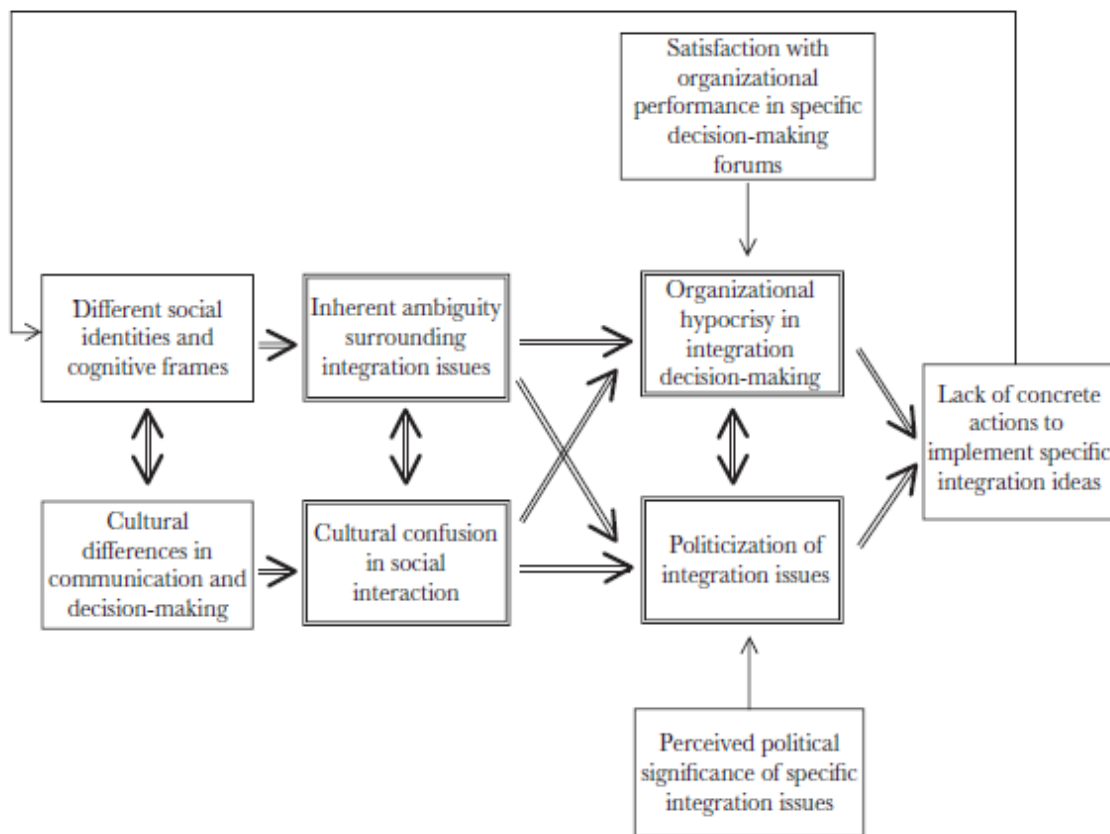


Figure 4. Inherent ambiguity, cultural confusion, organizational hypocrisy and issue politicization as impediments to post-acquisition integration

As we examine the Isku case, it is readily apparent that the language problems and other cultural differences in decision-making and communication practices were clearly a key source of confusion in important discussions concerning the integration issues. These kinds of ‘practical communication problems’ are easily framed as secondary concerns in post-acquisition integration, but this case suggests that such confusion may plague many cases, as

also some other recent studies suggest (Gertsen and Söderberg, 1998). Most worthy of note, this confusion may often go undetected in (supposedly) culturally 'close' settings (see also Vaara, 2000).

The Isku case also shows how the ambiguity and confusion surrounding integration issues may lead to organizational hypocrisy if and when a need for organizational changes is not recognized in the 'normal' decision-making forums of the corporation. Such hypocrisy may be characteristic of most organizations (Brunsson, 1989), but it is clearly especially problematic in post-acquisition settings where integration ideas may remain 'empty rhetoric', loosely coupled with 'organizational reality'. The analysis specifically reveals how even those integration ideas that are widely supported do not necessarily lead to concrete results. Instead, these ideas can 'be lost' in more routine decision-making where, for example, the overall performance of the units has a fundamental impact on the perceived need for changes in particular units. This case study readily allows us to point out that the favourable financial performance of the acquired units (during the first years) made it difficult to see why they should adapt to the changes needed for integration.

The analysis of the Isku case also illustrates how ambiguity and confusion may lead to an overt politicization of integration issues when the actors involved recognized the political significance of these issues. Paying attention to politicization is important as very few prior studies have highlighted the political aspects involved in post-acquisition integration (Kleppestø, 1993; Olie, 1994; Vaara, 2001). In conditions of ambiguity and confusion, the Isku case illustrates the intentional efforts of the actors to gain support for their own ideas and agendas, including purposeful politicking and manoeuvring. It is particularly interesting to point to the crucial role of the business unit managers as propagators of the risks and problems associated with particular changes. Viewed in the light of this analysis, they become major agents of internal resistance forces in post-acquisition settings. Due to their superior knowledge concerning the actual operations of the units, the business unit managers had significant power in the internal debates. It was not easy for the corporate managers or the representatives of the other side to dismiss their arguments. This finding concerning the power of the middle managers is important because it provides a counterweight to the formal (hierarchical) view of the corporate managers' power as ultimate decision makers within the corporation.

It should be noted that this case has features that are not characteristic of every cross-border acquisition. Therefore, one should not expect to find exactly similar ambiguities, cultural differences, manifestations of hypocrisy, or examples of politicking in other circumstances. For example, while in many cases the corporate management may be divided, this case appears to be characterized by a particular lack of determinism and a laissez-faire approach (especially during the first years). One can presume that a more determined approach could have significantly altered the nature of internal decision-making processes and helped to overcome some of the most serious problems. The Finnish-Swedish relationship is also socio-historically and culturally unique, and one could expect that other settings would produce different types of challenges for post-acquisition integration.

By adopting a sensemaking approach, this study has pointed to four specific ‘irrationalities’ in post-acquisition decision-making. Future studies could go further in this kind of analysis and, for example, examine the interrelationships of the ‘irrationalities’ in more detail. As illustrated by the Isku case, language skills play an important part in post-acquisition decision-making in international settings.

The language choices also have deeper symbolic significance for the power relations of the parties that should be examined in more detail. Future studies could elaborate and specify the processes underlying and feeding organizational hypocrisy. Such study would also contribute to a more general understanding of this important but relatively unexplored feature of contemporary organizations (see e.g. Brunsson, 1989). Future studies could also focus on specific characteristics of the internal politics, for example, further elaborate on the crucial role(s) of the middle managers in post-acquisition integration. This would also enhance our knowledge on ‘issue selling’ more generally (see e.g. Dutton et al., 2001). It might be of value to focus on such topics as the role of financial performance information and its representations – in post-acquisition integration in general and in forming perceptions of organizational change in particular (see also Birkinshaw et al., 2000; Ingham et al., 1992).

This study has portrayed post-acquisition integration as a process that is less easy to control than much previous literature suggests. There are, however, specific implications that practitioners planning for acquisitions or struggling with integration challenges should take seriously. First, they should be sensitive to different kinds of interpretations and understand that integration plans can be interpreted in very different ways. Paying special attention to internal communication or creating different types of discussion forums are not guarantees of

effective integration, but they are likely to help people understand the differences in their views and commit to joint action. Because of specific language and other cultural differences, special integration mechanisms are of great value in cross-border settings. Second, the actors should recognize the overt and covert politics involved in post-acquisition decision-making. To implement integration plans, they should also work to create political platforms to gain acceptance and legitimacy for the changes. Third, the key decision-makers should pay special attention to the specific circumstances at hand. The Isku case shows how favourable financial performance of the acquired units can ironically contribute to less effective integration. Consequently, the key actors should not be content with superficial signs of success. They must be prepared for tough decisions when their aim is organizational integration.

Finally, it should be emphasized that the ‘irrational’ decision-making characteristics that were very clearly illustrated by this case may also plague many other acquisitions in more subtle but nevertheless significant ways. Unfortunately, these ‘irrationalities’ are easily passed unnoticed by researchers and practitioners when focusing attention on the more ‘apparent’ obstacles of integration such as concrete operational differences or ‘personnel’s resistance’.

NOTES

[1] More ‘automatic’ sensemaking is thus not the focus of attention in this paper (see e.g. Dutton, 1993).

[2] A role is a set of actions expected of a particular person in a given position. Generic roles related to particular institutionalized social systems, such as a corporation, are existing structures that cannot be changed by a particular person occupying a specific role (Berger and Luckmann, 1966). When one considers the actual actions of persons supposedly adopting and occupying such generic roles, it is often more meaningful to talk about enacted roles (Weick, 1995).

[3] The other parts were owned by the Addum part of a Swedish bank, Securum and Kontorslandslaget, the primary distributor of Facit’s furniture in Sweden.

[4] This financial information should be taken as indicative as, for example, allocation of group administration and management costs and transfer pricing are elements that have a major impact on the profitability. However, at a crude level, until approximately 1997, the performance of the Swedish units was generally considered very satisfactory, when taking into account the significant downturn of 1996 in the Swedish education furniture sector.

[5] All the quotes are my translations from Finnish or Swedish to English.

[6] These positive perceptions were obvious when the news of Isku’s acquisition was announced at the company’s headquarters. The managers and office staff applauded.

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